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C O N F I D E N T I A L SECTION 01 OF 07 NEW DELHI 002070

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KISL, IN

SUBJECT: RAJASTHAN STRUGGLES TO ESCAPE FROM THE HINDI BELT  
MORASS

REF: A. NEW DELHI 2067

[1](#)B. NEW DELHI 1938

[1](#)C. NEW DELHI 1976

[1](#)D. NEW DELHI 1653

[1](#)E. NEW DELHI 1749

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Classified By: PolCouns Ted Osius for reasons 1.4 (B,D)

SUBJECT: RAJASTHAN BELLWETHER: A PLACE OF CONTRADICTIONS AND  
HOPE

[1](#)1. (C) SUMMARY: Rajasthan, located in North India and bordering Pakistan, is the country's largest state and embodies numerous contradictions. Bharatiya Janata Party (BJP) Chief Minister (CM) Vasundhara Raje (ref A), although extremely popular, is heavily criticized and not expected to win the November 2008 elections, due to anti-incumbency trends. A highly diverse state with a large tribal population, limited communal conflicts and low social indicators, it also boasts great Hindu/Muslim relations and many government-funded programs to address social ills. At the same time, pervasive corruption is eating away at development and making politicians and administrators rich. Though a strong people's reform movement is growing (ref B), women remain oppressed by backward religious and cultural mindsets and traditions. Rajasthan is a hot destination for tourists, and its economy thrives off tourism, textiles, and

coal and marble. Development has taken off and new toll roads criss-cross the state, increasing connectivity between Delhi, Mumbai, and Jaipur. Rajasthan is an increasingly attractive business destination. However, Rajasthan is also steeped in tradition, impeding its ability to move forward. One of the most poignant examples is the April 27, Jaipur court order for the arrest of Richard Gere, purportedly for "offending Hindu sensibilities" by kissing a Bollywood actress at an HIV/AIDS fundraiser in New Delhi. Such traditional concerns divert attention from continued economic development. Breaking away from its economic ranking at the bottom of India,s states. Rajasthan could serve as an economic and development model among the poorest Indian states (Bihar, Uttar Pradesh, Madhya Pradesh) and lead the charge for change in the Hindi belt. END SUMMARY

¶2. (U) On an April 10-14 trip to Rajasthan, PolOff met with government officials, politicians, industrialists, NGOs, journalists, and educators to get a fix on the current state of affairs. Discussions ranged from economic growth to communal relations and provided a comprehensive pulse on the issues. This cable is part of an ongoing bellwether project launched in 2006 by Mission India's POL and ECON sections to take the economic and political temperature in crucial states outside New Delhi's ring road over the next year.

Landscape: Big State, Big Turbans  
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¶3. (U) Rajasthan is the eighth most populous state in India, with approximately 56 million residents. Centrally situated, Rajasthan shares a border with Pakistan on the west and northwest, and is surrounded by Punjab, Haryana, Uttar Pradesh, Madhya Pradesh, and Gujarat. Approximately 23

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percent of Rajasthanis live in urban areas, while the rest live in rural and tribal areas. Major industries include: tourism, textiles, and mining. It is the largest state by size.

¶4. (U) The state is currently governed by a BJP government led by CM Vasundhara Raje. Rajasthan has a unicameral state legislature and the BJP holds 120 of its 200 assembly seats. Congress is the principal opposition party. Unlike many other Indian states, regional parties do not play a significant role in Rajasthan, with power switching between Congress and the BJP every five years. In the Lok Sabha, Rajasthan is represented by 25 Members of Parliament (MPs). Currently, Rajasthan sends 21 BJP MPs and four Congress MPs to the lower house of Parliament.

Rajasthan,s Leaders Discuss the Future of Politics  
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¶5. (C) In Ajmer on April 12, PolOff met with Rajasthan Congress Secretary Rajesh Tandon and BJP Member of the Legislative Assembly (MLA) Vishnu Modi to discuss the future of the BJP and Congress and reports of communal tensions close to the Gujarat border. (BIO NOTE:Vishnu Modi is an astute, well connected politician. In 1998 when he lost his election on a Congress ticket, he switched parties and rode the BJP wave to victory in 2004. His personal charisma is such that Congress and RSS members work side by side on his campaigns, regardless of which party he runs under. End Note). Modi, citing anti-incumbency, predicted that Raje would not be re-elected as CM and that the BJP would lose the November 2008 election. Tandon also identified Raje as a good CM, but agreed she would lose in 2008. The desire for a change of administrations will likely overcome a good governance record. Tandon criticized Congress for lacking vision and leadership, describing previous Congress CM Ashok Gehlot as unimpressive, hypocritical and &crude.8 Both Tandon and Modi agreed that Congress is losing its Muslim vote base in Rajasthan. Muslims, finding nothing that distinguishes the BJP from Congress, are voting in increasing

numbers for the BJP. Nevertheless, both asserted Congress will return to power in 2008.

16. (C) Modi repeated what Post has been hearing from contacts throughout the country, that the BJP was defeated in the 2004 national election because economic growth and progress did not reach the villages. He predicted that the same will happen to the Congress in 2009. Tandon sharply criticized Sonia Gandhi for not allowing politicians to govern, claiming that she keeps them on a &short leash.8 Everyone in Congress acts to please her, Tandon remarked with disdain. Tandon expressed his belief that Sonia Gandhi's suffocation of the party, will ultimately lead to its demise in New Delhi.

#### Communalism and Conflict in Tribal Areas

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17. (C) For the most part, Hindus and Muslims coexist peacefully throughout the state. There is a respect for each other,s religion and, according to Modi, more Hindus visit the sacred Muslim pilgrimage site in Ajmer than Muslims.

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Modi discounted rumors of potential communal tensions in the region closer to the Gujarat border. He described the border town of Beawar in the Ajmer district as a community of people, Hindu and Muslim, who practice both religions and have mixed Hindu and Muslim names. Modi claimed that Maulvis from neighboring Uttar Pradesh and Bihar are coming to Beawar to &eliminate8 Hindu culture from this community, and that the RSS may be planning to incite violence over the issue. Modi and Tandon claimed that foreign money, perhaps from &Saudi Arabia or the Gulf states,8 is helping fund these Maulvis. Modi quipped that the BJP will only stoke violence after it leaves power, to tar Congress with a reputation for poor governance. On April 14, Vyas expressed her take on communalism, reflecting that political parties prefer to incite violence closer to an election to polarize voters and play on their emotions.

18. (C) On April 13, PolOff traveled to a tribal area close to the Gujarat border to meet with Congress MLA Ragubhi Singh Meena, former Minister of Sports, who currently represents the Dungarpur district. Meena maintained that the RSS is active in his constituency, providing social services to poor tribal communities, stoking communal tensions, and teaching messages like &Muslims are bad and dirty.8 Meena also claimed Raje,s government provided money to the RSS operatives in the region. Meena reported that BJP and RSS elements in Gujarat employ migrant laborers from Rajasthan and try to recruit them into the BJP. Meena echoed Vyas, saying that because of RSS influence, tensions will erupt during the 2008 state elections. He pointed out, however, that there have been clashes between tribals and non-tribals in the town of Rishabdev in February over possession of a temple.

#### Tribal Community Issues

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19. (SBU) According to Meena, the government is doing a good job addressing poverty and social backwardness. He highlighted the mid-day meals scheme for below poverty level students attending school, which not only address malnutrition but encourage parents to send children to school. He also expressed optimism regarding the National Rural Employment Guarantee (NREG). According to legislation passed in 2005 -- as part of the Common Minimum Program pushed by the Left -- the NREG program provides one worker from each household with 100 days of work per year at Rs 65 a day (roughly \$1.50), roughly one-fifth of the national average income. At the same time, it is an expensive program to administer with a high risk of funds going "astray" at the local level. Despite its drawbacks, all contacts in the tribal region spoke with hope of this scheme and its

potential to alleviate poverty.

¶10. (C) On April 13, former MP Tarachand Bhagora emphasized water as the most critical issues facing the tribal region. Dungarpur has invested approximately \$10 million in a water harvesting project, which only captures 20 percent of the water. The state government also hopes to reforest local areas with jatopha trees, whose nut can be converted into biodiesel ) bringing economic benefit to the region by developing a new industry. On the other hand, Bhagora

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lamented the persistence of malnutrition, illiteracy and health problems, professing that he could not address development when the population continues to grow. Reflecting a deep suspicion of foreign influence, Bhagora derided NGOs, which he claim pay people not to work and in fact exacerbate social problems. Regarding education, he opined that teachers are pulled in too many directions, with hardly any time to teach, as they are required to administer and manage schools and various projects such as the mid-day meal benefit. On health care, Bhagora pointed out that there is only one hospital in his district with 150 beds and no specialists. Residents must go to Ahmedabad in Gujarat, where the closest hospital is located, to address serious health problems. Other issues affecting the residents of Dungarpur include long power cuts, lasting 4-6 hours with no advance warning.

¶11. (SBU) On April 13, PolOff met with Ram Chandra Joshi, head of the Udaipur Panchayat (village council) who expressed hope that an Indian Institute of Technology would be set up in Udaipur. He also praised the greater road connectivity between Delhi-Jaipur, Jaipur-Agra, and Jaipur-Udaipur-Ahmadabad and onto Mumbai. The toll road is a boon for the region and should increase economic opportunities and growth, including tourism but also trade. He also hoped that the local narrow gauge railroad could be broadened allowing longer, faster, and wider trains to operate, and increasing the flow of goods and people.

#### An Emerging Place for Business and Growth

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¶12. (SBU) In the past few years, the state government has made concerted efforts to promote industry by developing new industrial townships and a few Special Economic Zones. Rajasthan,s primary economic sectors are tourism, textiles, mining, and agriculture.

¶13. (C) On April, 11, PolOff met with K.N. Mathur, former Chief Executive Officer of the Rajasthan Industrial Development and Investment Corporation (RIICO). Stating that economic growth in the state is an organic and evolutionary process, Mathur opined that Rajasthan is bound to advance economically in conjunction with India,s economic growth. For example, most of the increasing number of tourists traveling to India come to Rajasthan. The state has been &booming,8 Mathur exclaimed, with an average growth rate of 6 percent per year for the last decade. World tourism analysts expect the number of foreign tourists to India to reach 5 million this year and it could double to 10 million by 2010. Meanwhile, domestic tourism is also booming, as India's middle class explores its vast country, and is expected to increase 15-20 percent per year for the next five years. Rajasthan will be an integral part of this tourism explosion, both because of its unique and majestic "Raj" heritage, and for its place in the "Golden Triangle" with Delhi and Agra. It has already seen a doubling of foreign tourists in recent years, hosting 1.3 million foreign tourists in 2005 compared to 600,000 in 2002, with domestic tourism rates rising even faster, from 7 million to almost 19 million.

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¶14. (C) Recognizing that agriculture does not provide enough livelihoods, the government has not only promoted high job-generating tourism, but also strongly supports industrial development. The Asian Development Bank has identified the state's investments in transport and water resources as triggers to more private investment in natural resource development, tourism, and industrial manufacturing. Mathur described three types of commercial zones promoted by the state: industrial parks, special economic zones (SEZs), and theme parks.<sup>8</sup> He explained that infrastructure in industrial parks has been developed to handle the technology needs of businesses. These are different from SEZs, which are primarily export-oriented. Within SEZs, the state not only provides infrastructure support but also tax relief. Theme parks are similar to industrial parks, but dedicated to one industrial sector such as bio-technology or agricultural processing. There are currently three SEZs in Rajasthan: one in Jaipur for jewelry; one in Jodhpur for handicrafts; and the third being set up by Mahindra. Mathur speculated that unlike other areas in India, Rajasthan has a lot of available barren land, making SEZs less controversial. Recently the central government made individual companies rather than the states responsible for land acquisitions for SEZs.

¶15. (C) The state government is placing a lot of hope on the Mahindra SEZ which, having been approved before the new land acquisition policy, remains under the state's purview. CM Raje has called the Mahindra project a "watershed event" in the state's development plans. The Mahindra World City is being built in Jaipur on 3000 acres to provide commercial facilities for manufacturing and IT services. Early commitments by IT giants WIPRO and Infosys for office space to house thousands of employees suggest that the World City is attractive to large Indian companies which cannot find the room or afford to expand in the major metros. Mahindra, a \$3 billion conglomerate, has already established a World City in one of India's major manufacturing hubs in Chennai, with another planned in Pune.

¶16. (C) Mathur, however, remained skeptical of Rajes' government's ability to continue to attract investment. He lamented that businesses can no longer get their paperwork through the government bureaucracy in a day, indicating that the current BJP government lacked efficiency. Mathur also criticized the productivity of Rajasthani workers, especially in comparison to those in other states. He described Rajasthanis as lacking ambition and being generally content and happy without aspiring to achieve more. These traits are not attractive to foreign investors, he opined.

#### WATCH OUT FOR BUBBLES -----

¶17. (SBU) Another thriving industry is the real estate market, especially in Jaipur and its surrounding areas. The boom in real estate prices in Rajasthan (especially in towns lying between Delhi and Jaipur) has taken off in the last three years. Due to the growing shortage of land in Delhi and its neighboring areas of Gurgaon and Noida, the growing middle class of Delhi and real estate developers started to look at Rajasthan for investment. Also Rajasthan's relatively peaceful political and social climate is very

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attractive to those looking for retirement homes. This has spurred a demand for quality housing and land, and touched off the current real estate boom. Prices have shot up from about USD 18 per square meter on the outskirts of Jaipur three years ago to USD 75 per square meter today.

¶18. (SBU) Mathur explained that the vision behind Rajasthan's planned industrial parks is to become little townships with their own schools, parks, shopping, and restaurants. Embassy FSNs have joined the boom, and are looking at Rajasthani land



for investments in condominiums. (Comment: Real estate prices have doubled and trebled in major Indian metros during the last few years, so it is no surprise that this is occurring in Jaipur, the state capital. However, unless and until proposed industrial parks become real, purchases elsewhere in the state remain speculative and unlikely to be of sustained value. End comment.)

#### Oil in Rajasthan

¶19. (C) In April 2004, the British-based petroleum exploration and production company Cairn discovered oil reserves estimated at about 400 million barrels in the Thar Desert near the city of Barmer, close to the Pakistan border. Since then, GOI, state, and industry officials have debated whether to locate a planned new refinery outside of Rajasthan or near Barmer, about 200 miles west of Rajasthan's capital Jaipur. According to Mathur, the debate remains unresolved and the oil remains in the ground. On April 25, the state government established a Rajasthan State Petroleum Corp to ensure public sector participation in exploration, exploitation, transportation and distribution of petroleum. The GOI-owned Oil and Natural Gas Corporation (ONGC), is also ready to restart conversations on building a pipeline in Barmer, according to press reports.

#### Women and Children

¶20. (SBU) On April 11, PolOff met with Kanchan Mathur, Professor at the Institute of Development Studies who discussed a multitude of social issues impacting Rajasthan. Taking a moment from drafting the Rajasthan status report on the UNICEF Millenium Development Goals, Professor Mathur expressed reserved optimism about the status of women and children in Rajasthan. She conceded that the state adopted gender budgeting (Note: A federally mandated initiative to allocate a percentage of the budget towards programs for women and girls. End Note) in six key departments and highlighted the good work of the World Bank supported Integrated Child Development Service Scheme (ICDS). ICDS has set up centers throughout the state to address malnutrition, and the overall psychological and physical health of both women and children.

¶21. (SBU) Professor Mathur pointed to Rajasthan's size as one of its greatest challenges, making it difficult to provide services to tribal areas and desert communities. While plenty of programs address every possible social ill, all pervasive corruption rots much of the funding to politicians and administrators. In addition, there is a lack

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of coordination between departments as each is territorial of its programs. On the issue of trafficking, she claimed that the protectors are also the perpetrators, with government run shelters re-trafficking rescued girls. Remote areas pose a significant challenge, as there are castes of professional prostitutes, superstition is rampant and witch burnings prevalent (refs D & E). In many areas, if the husband dies or grows tired of his wife, she can be sold to his brother, father, or any other man (this practice is called "natha"). Professor Mathur opined that without space for female expression, it is difficult for women to learn about reproduction and sexual health. Overall, she stated, a lack of political will and a fear of empowered women serve as barriers to real change. To balance her presentation, she emphasized micro-credit projects have taken off in Rajasthan. There is still much work to be done on women and children issues in Rajasthan and the road ahead appears steep, she offered.

COMMENT: MOVIN' ON UP

¶22. (C) Though vulnerable to the more radical Hindu elements who have raised a ruckus over a ridiculous non-issue (like Richard Gere kissing film actor Shilpa Shetty), Rajasthan is generally a peaceful and predictable state. Communal tensions arise from time to time, but increase around election time, as politicians try to manipulate communal prejudice for political purposes. Though CM Raje is popular among the people, few expect her to win re-election. In India, the "anti-incumbency" factor is strong, often limiting CMs to one term. Infrastructure development is improving connectivity between Rajasthan and the rest of the country, causing businesses to take a second look at what Rajasthan has to offer. Rajasthan has long had a reputation as a BIMARU state. The term BIMARU is a play on words, combining the initials of Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh, historically among India's poorest states, into an acronym that translates to the Hindi word for "sick" (bimar). Rajasthan has the potential to become an up and coming state in economic terms. Its investments in infrastructure, policy reforms, and efforts to attract investments and tourists appear to be paying off. If such commitment and trends are sustained, Rajasthan has the potential to leave the BIMARU ranks and become an Indian "middle income" state, setting an important precedent for the rest of the Hindi/cow belt. End Comment.

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